

Message Text

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DEPARTMENT PASS EXIMBANK

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SUBJECT: PROPOSED YUGOSLAV BANK FOR INTERNATIONAL ECONOMIC
COOPERATION

REF: BELGRADE 3890

1. DESPITE CONSIDERABLE UNCERTAINTY ABOUT THE FUNCTIONS OF THE
PROPOSED YUGOSLAV BANK FOR INTERNATIONAL ECONOMIC COOPERATION,
VIRTUALLY EVERY CONCEPT ENVISIONS IT AS INCORPORATING THE
WORK OF THE "EXPORT AND CREDIT INSURANCE FUND", HEADED BY SLAVKO
BAUM. ON MAY 25 EMBOFFS DISCUSSED THIS PROPOSED BANK WITH
DIRECTOR GENERAL BAUM. PARAGRAPHS 2 THROUGH 5 BELOW ARE HIS
COMMENTS ON HOW THE CONCEPT OF THE BANK ORIGINATED AND ITS
CURRENT STATUS.

2. ACCORDING TO BAUM, THE IDEA FOR THE NEW BANK ORIGINATED
A LITTLE OVER FOUR YEARS AGO. THE CONCEPT AT THAT TIME WAS SIMPLY
TO CHANGE THE EXPORT AND CREDIT INSURANCE FUND INTO A BANK
TO MAKE IT MORE FLEXIBLE IN ITS OPERATIONS, PARTICULARLY
IN COLLECTING OPERATING CAPITAL. (NOTE. THE EXPORT AND CREDIT
INSURANCE FUND SELLS POLITICAL RISK INSURANCE FOR YUGOSLAV
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EXPORTS AND JOINT VENTURES IN OTHER COUNTRIES, GIVES GUARANTEES
ON EXPORT TRANSACTIONS, AND FINANCES YUGOSLAV EXPORTS.)
THE NEW BANK WOULD ALSO RAISE OPERATING CAPTIAL IN ITS OWN NAME
ON FOREIGN MONEY MARKETS. IT WOULD BE QUASI-GOVERNMENTAL
WITH BOTH GOVERNMENT AND COMMERCIAL BANK INPUT INTO ITS
OPEATIONS.

3. AS TIME WENT BY AND THE NEW BANK WAS DISCUSSED, MORE AND MORE FUNCTIONS WERE ADDED TO THE PROPOSED BANK. "APPETITIES GREW" IN BAUMS'S WORDS. THESE NEW FUNCTIONS INCLUDED THE AUTHORITY TO AUTHORIZE FOREIGN BANKS TO ESTABLISH REPRESENTATIVE OFFICES IN YUGOSLAVIA, RESPONSIBILITY FOR FORMING JOINT BANKING OPERATIONS WITH FOREIGN BANKS, EXPANSION OF THE ACTIVITIES OF THE EXPORT AND CREDIT INSURANCE FUND, AND RESPONSIBILITY FOR ENCOURAGING AND EVALUATING JOINT VENTURE AND LONG-TERM COOPERATION AGREEMENTS. BAUM SAID THAT HE WAS A MEMBER OF A WORKING GROUP ON THE BANK WHICH WAS ESTABLISHED ON BRIONI TWO AND ONE-HALF YEARS AGO. ALTHOUGH HE PERSONALLY WAS AGAINST THE ADDITION OF ALL THESE FUNCTIONS TO THE DRAFT LEGISLATION, THE MAJORITY OF THE GROUP WAS FOR THEM. THE RESULT WAS A VERY AMBITIOUS DRAFT WHICH WAS PRESENTED TO THE FEDERAL ASSEMBLY IN APRIL OF THIS YEAR. THIS DRAFT WAS NOT ACCEPTED, ACCORDING TO BAUM, BOTH BECAUSE IT WAS NOT IN CONFORMITY WITH THE NEW YUGOSLAV SYSTEM AND THE VARIOUS NATIONALITIES IN THE ASSEMBLY ALL HAVE DIFFERENT CONCEPTS OF THE ROLE OF SUCH A BANK. BAUM ADDED THAT HE WAS SURPRISED THAT THE LAWYERS LET THE DRAFT GET AS FAR AS IT DID, AS IT WAS CLEAR TO HIM THAT IT WASN'T IN KEEPING WITH THE NEW CONSTITUTION.

4. AS A RESULT OF THE APRIL DECISION, THE CONCEPT OF THE BANK IS NOW BACK AT SQUARE ONE. DRAFTERS WILL BEGIN IN OCTOBER TO PREPARE A SIMPLER DRAFT. BAUM THINKS IT COULD BE TWO YEARS BEFORE LEGISLATION IS PASSED AND THE BANK BEGINS LIMITED OFFICIAL USE

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OPERATIONS "IF THE NORMAL PROCESS IS ALLOWED TO TAKE PLACE. IT IS A COMPLICATED ISSUE." HE ADDED THAT "OF COURSE, A POLITICAL DECISION COULD BE MADE" WHICH WOULD GREATLY SPEED UP THE PROCESS. HE ADDED THAT "THIS WOULD BE A MISTAKE". HE FELT THAT THE AMBITIOUS PROGRAM SUGGESTED IN LATER DRAFTS FOR THE BANK SCARED PEOPLE, PARTICULARLY COMMERCIAL BANKERS, WHO OPPOSED IT IN THE ASSEMBLY THROUGH THEIR REPUBLICAN REPRESENTATIVES.

5. WHEN BAUM WAS QUESTIONED ABOUT THE POSSIBILITY OF THE BANK ACTING AS A GUARANTOR OF REPAYMENT FOR FOREIGN LOANS, HE WAS NONCOMMITTAL--EMPHASIZING THE UNCERTAINTY OF FUTURE LEGISLATION.

6. COMMENT. IF THE FUNCTIONS OF THE PROPOSED BANK ARE KEPT VERY NARROW, IT INCREASES CONSIDERABLY THE POSSIBILITY THAT BAUM HIMSELF COULD HEAD IT. GIVEN HIS CURRENT POSITION, HE WOULD BE A NATURAL FOR THE JOB. A MORE AMBITIOUS BANK WOULD PROBABLY CALL FOR SOMEONE WITH MORE POLITICAL STATURE. EVEN ALLOWING FOR THE FACT THAT HE HAS HIS OWN INTERESTS IN MIND, HIS EXPLANATION OF THE SITUATION SEEMS TO BE REASONABLE AND FORTHCOMING. IT CERTAINLY RE-EMPHASIZES THE UNCERTAINTY SURROUNDING THE PROPOSED BANK AT THIS TIME.

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